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## A Study on the Models for Corporate Social Responsibility of Small and Medium Enterprises

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### Abstract

The role of small and medium enterprises (SMEs) in corporate social responsibility (CSR) has attracted increasing attention and interest in recent years. The purpose of this study is to build some relevant models of CSR which are the foundations of empirical study later. The paper begins by an overview of the CSR literature in the context of seven step model for CSR and differences between corporate and small businesses. Noting the general lack of theoretical framework in the literature, the paper then presents relevant theoretical models of CSR that could be useful in conducting further research on CSR and SMEs. The study is qualitative in nature, capitalizing on a comparative research design to highlight differences in CSR orientations between SMEs and MNCs. The research is presented and implications are drawn regarding the peculiar relational attributes of SMEs in the context of CSR generally, and developing countries more specifically, and how this inclination can be further nurtured and leveraged. Further research can seek to highlight how to leverage this natural affinity to CSR among SMEs detected in this study in pursuit of more systematic engagement and more benefits.

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*Keywords:* Corporate Social Responsibility, Small and Medium Enterprises, Multinational Corporations, Model

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### 1. Introduction

The corporate social responsibility (CSR) debate has to date been very much focused on multinational corporations (MNCs) and driven primarily by a northern agenda. CSR, however, is of increasing relevance and concern to small and medium enterprises (SMEs), both as suppliers to international companies, as recipients of donor funds and support, and as critical backbones of economic health and vitality in developed and developing countries. While SMEs have long been recognized as important economic players in the developed world, their contributions are only starting to gain due regard/appreciation in developing countries in the context of the daunting challenges faced in way of economic development and global economic integration.

SMEs have recently attracted some attention in the CSR literature, with burgeoning evidence of their positive responsibility inclinations and their strengths and peculiar relational attributes in the context of CSR. In order to contribute to this evolving debate and balance the accentuated attention traditionally accorded to MNCs in CSR discussion, this paper proposes to focus on SMEs and their peculiarities in

relation to CSR. Specifically, we seek to address two questions, (1) do SMEs have specific orientations that need to be accounted for in discussions of CSR and (2) are there significant differences between the CSR approaches of SMEs and MNCs generally and in developing countries specifically.

In addressing those two questions, the paper begins by compiling relevant literature addressing the peculiarities of SMEs in relation to CSR. In light of this review, the paper presents relevant theoretical frameworks that can be useful in analyzing SME versus MNC CSR orientations. The findings are fleshed out and implications are drawn regarding the peculiarities of SMEs and how their specific relational attributes play out in the context of CSR.

We draw in our SME literature review on theoretical streams derived from the family business literature, given that all firms interviewed are both SMEs and family owned. We finally synthesize relevant CSR theoretical models that could be useful in conducting further research on SMEs. The research presented is thus likely to have both theoretical and empirical significance and is indeed timely and relevant in light of recent interest in the role of SMEs in the context of CSR and the calls for more research on developing country SMEs specifically in the CSR literature.

## 2. Literature Review

### 2.1 Seven Step Model for CSR

This attention to language and semantics and the alleged problematic aspects associated with focusing on large corporations in discussions of CSR thus begs the question as to whether CSR is different for large businesses than for SMEs. For Grayson (2006), the answer is a resounding yes and no. It is different for the same reasons that set SME operations apart from MNCs while being similar for what makes ethics the same across companies and nations. In Grayson's (2006) words, "the same basic principles apply." In this context, Grayson (2006) recommended the "Seven Step Model for Corporate Social Opportunity" for small firms as shown in Table I, which highlights the critical importance of delineating the business case for CSR in the case of SMEs as well as the roles of owners or managers in building motivation and commitment for CSR.

TABLE I Seven Step Model for Corporate Social Opportunity

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step 1.Business case
Step 2.Evaluation of the company's resources
Step 3.Investigation and identification of motives for social responsibility commitment
Step 4.Committing to social responsibility
Step 5.Strategizing CSR
Step 6.Recognition and engagement of stakeholders
Step 7.Measurement and reporting

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### 2.2 Differences Between Corporate and Small Businesses

Jenkins (2004) compares and contrasts corporations and small businesses along 14 dimensions as shown in Table II, noting that those associated with small businesses revolve around personal judgment, personal motivation, intuition, and trust, while those associated with the corporate have more to do with strategy, procedures, and results. Small businesses and SMEs clearly have the human element at the core of their work, which is also likely to have implications for how they approach CSR and stakeholder

management. According to Grayson (2006), the identification of stakeholders and the relation with them becomes much more personal in SMEs, turning the supervisor–subordinate relation into care, the relation with suppliers into a long-term tradition, and that with the local community into a strong integration.

TABLE II Cultural Differences Between Corporate and Small Businesses

Corporate	Small business
1.Order	Untidy
2.Formal	Informal
3.Accountability	Trusting
4.Information	Personal observation
5.Clear demarcation	Overlapping
6.Planning	Intuitive
7.Corporate strategy	“Tactically strategic”
8.Control measures	“I do it my way”
9.Formal standards	Personally monitoring
10.Transparency	Ambiguous
11.Functional expertise	Holistic
12.Systems	“Freely”
13.Positional authority	Owner-managed
14.Formal performance	Customer/network exposed

When comparing MNCs to SMEs, some authors go to the extent of questioning the validity of the “maximizing profits” axiom in SMEs. Vives (2006), for example considers that SMEs may be willing to sacrifice some of their profits while serving a greater goal, and many scholars point to the “silent CSR” or “sunken CSR” practiced by SMEs, suggesting that SMEs are often “unknowingly socially responsible” (Jenkins, 2004; Longo et al., 2005; Perrini, 2006; Raynard and Forstater, 2002; Roberts et al., 2006). According to Sarbutts (2003), SMEs are better placed to take advantage of CSR programs than larger corporations, as they are flatter and potentially quicker on their feet, less fixated by price and earning ratios, and more likely to revere qualities such as honesty and integrity. There is thus much anecdotal and empirical evidence pointing to the adeptness and peculiarities of SMEs in the context of CSR, but the theoretical grounding has not been accorded systematic attention.

### 3. Relevant Models Of CSR

#### 3.1 *Hierarchy Model of CSR*

The first relevant framework is the Hierarchy Model of CSR. Given the peculiarities of SMEs identified in the literature, we seek in this section to highlight relevant theoretical models that can be useful in providing a greater understanding of the sources of such peculiar CSR orientations in SMEs and potential differences with MNCs. The first relevant framework or theoretical lens is the four part definition of CSR, comprising economic responsibility (jobs, wages, and services), legal responsibility (legal compliance and playing by the rules of the game), ethical responsibility (being moral and doing what is just, right, and fair), and discretionary responsibility (optional philanthropic contributions), which we reorganized in a pyramid construct as shown in Fig 1. Based on the literature review presented above, it seems plausible that SMEs may accord more priority and attention to some strands or types of responsibility than others, which is deserving of further consideration and attention.

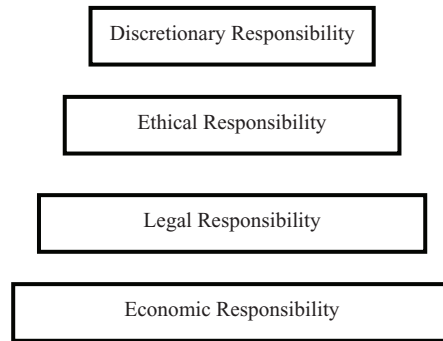


Fig 1. Hierarchy Model of CSR

### 3.2 Side-by-side Model of CSR

The second relevant framework is the Side-by-side Model of CSR, which examines the principles motivating responsible behavior, the processes of responsiveness, and the outcomes of social performance as shown in Fig 2. A comprehensive and integrated CSR approach would ideally entail according attention to all three aspects of CSP (principles of CSR, processes of social responsiveness, and outcomes of corporate behavior), across all domains of the firm's operations (e.g., economic, legal, ethical, and discretionary). Based on the literature review presented above, it seems indeed plausible that SMEs and MNCs may differ with respect to the particular configuration of principles of social responsibility, processes of social responsiveness, as well as observable CSR outcomes as they relate to the firm's societal relationships.

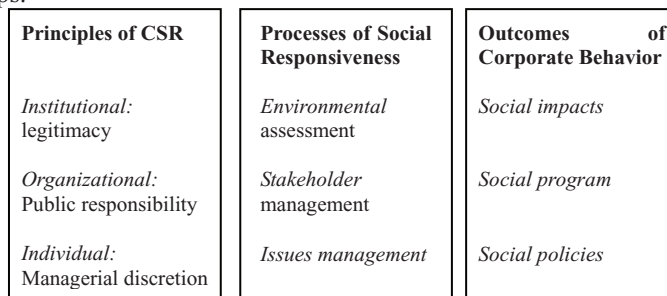


Fig 2. Side-by-side Model of CSR

### 3.3 Star Model of CSR

The third relevant framework is the Star Model of CSR, which provides another fruitful theoretical lens and could help in shedding light on the peculiarities of SMEs in relation to CSR. It has helped in re-conceptualizing the nature of the firm, encouraging consideration of new external stakeholders, beyond the traditional pool—shareholders, customers, employees, and suppliers, and legitimizing in turn new forms of managerial understanding and action as shown in Fig 3. As outlined in the literature review above, stakeholder relationships are increasingly recognized as an important aspect of differentiation in the case of SMEs. It is likely that SMEs forge peculiar stakeholder relationships with specific stakeholders, setting their stakeholder management orientations apart from those of MNCs.

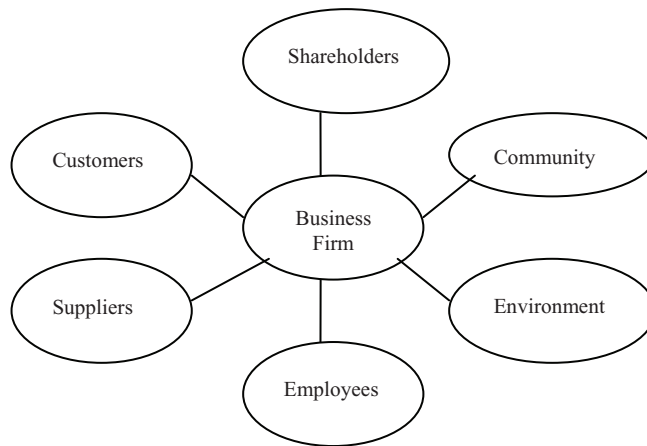


Fig 3. Star Model of CSR

### 3.4 Coordinate Model of CSR

The final fruitful theoretical model is the Coordinate Model of CSR and illustrated in Fig 4, in which we identify two relevant dimensions for the analysis of CSR in practice, involving the motivation basis (strategic versus altruistic) and the locus of responsibility (corporate versus individual). The strategic motive seeks to reconcile firm and managerial interests with societal interests, while the altruistic motive is humanitarian or philanthropic, involving genuine optional caring, irrespective of whether the firm will reap concrete benefits or not. The corporate locus of responsibility attributes responsibility for social action to the corporation itself (as per the definition of CSR), while the individual locus of responsibility shifts attention to the role of individual managers as champions of CSR, exercising stewardship and influence in pursuit of specific social interventions. It is thus plausible, given the literature review synthesized above, that SMEs and MNCs may indeed differ with regard to those two dimensions, which also warrants closer scrutiny and investigation.

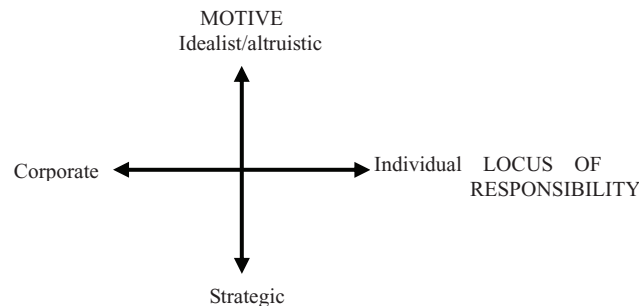


Fig 4. Coordinate Model of CSR

## 4. Discussions

With respect to the Hierarchy Model of CSR presented in Fig 1, we suggest the prevalence of a philanthropic conception of CSR among SME managers interviewed, which was characterized as “an obligation parallel to the business or on top of core business transactions.” A different conception of CSR was in turn detected among MNC managers, addressing the economic, legal, ethical, and discretionary domains of CSR, with a more accentuated emphasis on the economic dimension, suggesting that CSR is

either conceived more holistically or alternatively in some cases that the economic strand is emphasized at the expense of the discretionary philanthropic strand.

With respect to the Side-by-side Model of CSR presented in Fig 2, we suggest the salience of the principles of managerial discretion and legitimacy in motivating CSR behavior in the case of SMEs, with a corresponding emphasis on the principles of public responsibility and legitimacy in the case of MNCs. The motivation for engaging in CSR thus stemmed consistently in the case of SMEs from owners and founders, who exercised flair and entrepreneurship in influencing social involvement, often in the context of a blend of personal and religious motivations. MNC managers seem to be motivated, on the other hand, by the direction and guidance of their mother companies, which has become institutionalized in company policy and operating practice over time, as well as various salient legitimacy concerns.

With respect to the Star Model of CSR presented in Fig 3, both SMEs and MNCs rated their stakeholders in comparable ways, with primary importance accorded to customers, employees, and shareholders, followed by suppliers, community, and/or environment. It is interesting to note that in both cases, stakeholders were accorded systematic attention when they presented rational and economic motives for the firm, suggesting the salience of instrumental stakeholder orientations, which were nuanced by some normative flavors in the case of SMEs. It is also interesting that in both cases, silent stakeholders (e.g., community and environment) were accorded less attention, with more affinity and concern with the community stakeholder in the case of SMEs vs. the environment in the case of MNCs. More intimate characterizations of stakeholder relationships were detected in the case of SMEs.

With respect to the Coordinate Model of CSR in Fig 4, the motivation in the case of SMEs was clearly conveyed as altruistic, rooted in a philanthropic CSR conception or orientation, whereas the CSR motivation in the case of MNCs was certainly more strategic. The locus of responsibility in the case of SMEs also lied at the individual level, supporting the notion of discretionary social responsibility or the role of individual human actors in making CSR choices and decisions, whereas the locus of responsibility in the case of MNCs rested with the corporate, with relevant officials acting primarily as agents of corporate policy. These observations are certainly interesting that greater levels of personal discretion and responsibility correspond to higher commitments to philanthropic activities.

## **5. Conclusions and Limitations**

### *5.1 Conclusions*

In the context of this research design framework, the paper has made a number of contributions. The first contribution at the theoretical level entailed an accentuation of the need to integrate theoretical insights into empirical investigations of CSR in SMEs. This was noted as a gap in previous research on the topic. The paper has highlighted the richness of theoretical frameworks on offer and the significant progress that has been made in the relatively novice field of CSR, a field that has invariably been criticized as plagued with theoretical void and abstraction. The paper has fleshed out in brief various substantive theoretical models of CSR that could be leveraged in empirical research and highlighted their potential practical usefulness. Moreover, the research suggests that the theoretical models on offer are additive, aggregative, or complementary (rather than exclusive) and can be used synergistically in pursuit of fruitful empirical insights.

Another important contribution of this paper is practical in nature, highlighting and documenting the specific relational attributes of SMEs in the context of CSR. The research suggests that SMEs have indeed nurtured peculiar CSR orientations, revolving around strong inspiration, intimate and personalized stakeholder relationships, and moderate innovation allowed through greater flexibility. This strong inspiration was rooted in a blend of personal and religious motivations nuanced by discretionary and legitimacy principles and reflected in a spontaneous altruistic philanthropic CSR orientation that was characterized as a “duty of care” or an obligation parallel to core business concerns.

## 5.2 Limitations and Future Research Directions

In way of illustration, is it possible to strategize CSR, while preserving the philanthropic conception of CSR that SMEs seem attached to? Is it essential for SMEs to give a voice to their “silent or sunken CSR”? Should SMEs continue to be preoccupied with the internal dimension of responsibility or should they counterbalance this inclination with equal commitment to external stakeholders or environmental responsibility? Is it worth emphasizing the business case for CSR among SMEs or is it counterproductive in light of their altruistic inclinations? The challenge going forward is thus to adapt and mold a version of CSR that can be embraced by SMEs in light of its coherence with their specific value structures and peculiar stakeholder orientations. The challenge is thus to use some of the questions and theoretical/empirical insights derived here to serve as catalysts for future research on the topic.

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